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Title: Need to grant additional interest subsidy @ 2.2% on the crop loan to be financed by cooperative banks in Orissa.

SHRI BIKRAM KESHARI DEO (KALAHANDI):The Hon'ble Finance Minister in his budget speech for 2006-07 had announced:

> 'the Government has decided to ensure that the farmers receive short term credit at 7% with an upper limit of 3 lakh on the principal amount. This would require a certain level of SUBVENTION to NABARD. I propose to give subvention. This policy will come into force with effect from Kharif 2006-07."

In pursuance of this announcement, Government of India will provide interest subvention of 25% per annum to public sector banks and regional banks in respect of short term production credit upto Rs 3 lakhs provided to farmers.

In Orissa, the Co-operative banks are the major players in agricultural finance and lending and finance about 70% of the total crop loan financed by all the banks in ORISSA and this sector will be greatly handicapped in implementing the 7% interest scheme in view of the stiff conditionalities imposed by NABARD for providing refinance support to Co-operative Banks in their policy circular for financing Seasonal Agriculture Operation during 2006-07 & 2007-08. So to undo this malady, it is suggested that the Government of India may consider providing an additional interest subsidy to the tune of 2.2% on the entire crop loan to be financed by Co-operative credit institutions in Orissa and the Kalahandi Bolangir and Keonjhar Region in addition to the refinance by NABARD to the extent of 40% of total finance at the concessional rate of 2.5%.